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Congressional Record S. 19490-2 - Interstate Commerce and the Railroad

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Commission has almost given in to the industry and has done little to help formulate an improved transportation system. As a Senator from the State of Montana, I am primarily concerned about the effect that this situation is having on my constituents. There is every indication that there will be further reductions in passenger train service in Montana. The Burlington-Northern has reduced service to more of the small communities in my State with the acquiescence of the Commission. It has only been a few days since the Commission agreed to permit the Burlington-Northern to discontinue their service between Sappington and Norris, a matter which our State regulatory agency, the Montana Board of Railroad Commissioners, intends to appeal.

The three freight rate increases approved this year by the Commission have placed the agriculture and lumber segments of my State's economy and, I believe, the Nation's economy in a very precarious position.

In all fairness to the Interstate Commerce Commission, I will say that the boxcar shortage in Montana is less serious than it has been in the past, but it has taken considerable time to convince the Commission of the seriousness of this matter so that they would take the necessary initiative through their own personnel and regulations. I am including a copy of a report I have just received which gives the Commission's position on this area in considerable detail.

Until such time as the members of the Interstate Commerce Commission will take the time to assume the independent role of the Commission and, in effect, lecture and suggest to the transportation industry how their services and management might be improved to meet the demands of this country in the early 1970's, I believe that the Commission has little value. I am not the only Member of this body who has expressed concern. I have been joined by 30 of my colleagues in expressing our reservations to the Chairman of the Commission. This is indicative of what I feel will be one of the major issues to be discussed in the 92d Congress—the future of the Interstate Commerce Commission and other regulatory agencies.

Mr. President, I ask unanimous consent that the text of the joint communication to the Chairman be printed at this point in my remarks. I also ask unanimous consent to have a recent news story appearing in the Independent Record, Helena, Mont., daily newspaper, printed in the Record, which indicates in more detail the effect and scope of the recent approval of freight rate increases. Freight rate increases over the past 12 months will cost the grain industry in Montana some \$7.5 million a year.

There being no objection, the material was ordered to be printed in the Record, as follows:

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., November 27, 1970.
Hon. MIKE MANSFIELD,
Majority Leader, U.S. Senate,
Washington, D.C.

DEAR SENATOR MANSFIELD: This is in reply to your telegram of November 18, 1970, addressed to Chairman George M. Stafford, with

THE INTERSTATE COMMERCE COMMISSION AND THE RAILROAD

Mr. MANSFIELD. Mr. President, as my colleagues here in the U.S. Senate know, in the past year I have become increasingly concerned about the attitude of the Interstate Commerce Commission and its ineffectiveness in protecting the interests of the shippers, the consumers and the traveling public. In my estimation, the Interstate Commerce

reference to the effective date of the eight-percent freight rate increase.

I am particularly interested in that part of your telegram wherein you state that the railroads are not furnishing enough grain cars prior to the effective date of the increase. Due to my close association with the total car supply of all the railroads and the responsibility for same delegated to me by the Commission, I have been requested by Chairman Stafford to reply to that portion of your telegram.

We have practically completed the movement of the recent grain harvest in the western and Midwestern states, including Montana. I am happy to report that this year we have had very few complaints from shippers unable to obtain cars to transport their grain. Presently the bulk of Montana grain is being loaded on the lines of the former Great Northern Railway in the area bounded by Great Falls on the south, Shelby on the northwest, and Havre on the northeast. The other lines of the Burlington Northern and the Milwaukee railroads have made only minor demands for grain cars at this time.

I am quoting below statistics for the Billings region of the Burlington Northern, which takes care of practically the entire State of Montana, for November 18, 19, 20, and 23:

	11/18	11/19	11/20	11/23
Boxcars:				
Cumulative orders.....	411	423	435	416
Available cars.....	970	832	990	977
Surplus cars.....	559	409	555	561
Covered hoppers:				
Cumulative orders.....	904	913	857	824
Available cars.....	118	114	118	109
Short.....	786	799	739	715

The car supply of the Burlington Northern today is such that it is able to fill all orders for boxcars. The information obtained from our field personnel indicates that hundreds of cars of grain are being held at hold points in Montana and Washington awaiting billing instructions from the shippers. In fact, the flow of grain for Montana and contiguous states has been so heavy that it will probably be necessary to embargo the largest elevator complex in the Pacific Northwest because of its inability to handle cars currently. This facility on November 19 had nearly 500 cars of grain, largely from Montana, on hand for unloading.

On the Milwaukee Railroad there are no shortages of cars for grain loading at this time. The Union Pacific, the other Class I railroad operating in Montana, has no grain traffic originating in that State at this time.

On Friday, November 20, the Milwaukee Railroad requested that the Commission discontinue its assistance in furnishing it with boxcars because of substantial reductions in the demand for boxcars from shippers on its lines. We received a similar request from the Burlington Northern on November 23.

It is pointed out that, as indicated in the above tabulations, there remain substantial shortages of covered hopper cars. This is true wherever grain is being shipped today. Shippers desire covered hoppers because of their economy in loading and unloading. There is no rate difference in the use of covered hopper cars over boxcars; but, as you are aware, the covered hopper is a specialized car, very desirable for grain shippers. The demand for covered hoppers has far exceeded the carriers' ability to furnish them. However, all grain carrying roads have been making a vigorous effort to augment their covered hopper fleets.

From the above information I am sure you will recognize that, while the railroads are not furnishing sufficient covered hopper cars to meet the demands of shippers served by them, it is quite evident that they are furnishing sufficient equipment to transport the grain being offered.

As previously stated, we in the Commission feel that the efforts of our Washington staff, along with the close checking of our agents in the field, have resulted in much-improved service and a minimum of complaints. We have monitored the car demands consonant with the grain movements and have amended and modified our orders to effect the greatest utilization of equipment and to have the greatest number of cars available where they are needed.

We have endeavored to perform a service to all; and where our efforts would best be served by focusing our attention on seasonal movements, we have done this. I can say without reservations that most grain shippers will agree that the carriers have met the demands made upon them in a reasonable manner. To support this, I am enclosing copies of correspondence which I believe indicate the results of our handling of car supply and service complaints. While I am somewhat hesitant to expound on the work accomplished by our Commission, I do believe in all fairness that you should be given the benefit of the enclosed.

While I have dealt primarily with present conditions in Montana, I do believe that a similar situation has prevailed for quite some time; and while the farmers' elevators might be in a position to produce contrary statistics, we feel that a general statement to the effect that railroads were not furnishing grain cars prior to that date is a debatable question.

In any event, I am happy to bring you up to date on the present picture.

Sincerely yours,

RUPERT L. MURPHY,
Commissioner.

U.S. SENATE,

OFFICE OF THE MAJORITY LEADER,
Washington, D.C., November 30, 1970.

HON. GEORGE M. STAFFORD,
Chairman, Interstate Commerce Commission, Washington, D.C.

DEAR MR. STAFFORD: The gravity of the present surface transportation situation in the United States cannot be overstated. It is past time for the Interstate Commerce Commission to review its decisions with respect to transportation matters under its jurisdiction and to assess its position. We ask that you consider the long list of decisions which have reduced service, increased costs and permitted the draining of assets so seriously as to imperil the future of rail transportation in the United States.

Two once great railroads, after merger, are bankrupt; another newly merged giant is short of cash; passenger trains have been discontinued, one after the other, in little more than three years, there have been freight rate increases totaling 30 percent, with another increment of 7 percent threatened. Only lately and only partially has the ICC demonstrated its concern with carrier diversification and the consequences of it for rail service. In addition, the box-car shortages on the Western lines are not sporadic anymore; it appears to be a permanent liability.

It would be curious, indeed, if the agency that was established to regulate surface transportation were to be the instrument for the collapse of a vital sector of that industry. The most recent order to permit an 8 percent increase of rail freight rates suggests to us that, despite clear warnings, the Commission remains unaware that to all appearances it has ceased to be a regulatory agency.

Indications at this time lead us to believe that merger considerations, diversifications and increasing labor demands may well result in a transportation crisis of unprecedented magnitude within the next two years. The related effect of this crisis is presently measurable in its effects upon both the

rural and urban economic base, regionally and nationally.

Repeated Congressional expressions of concern, not only for rail transportation but for other facets of the economy dependent upon rails, have gone virtually unheeded by the Interstate Commerce Commission.

A review of hearings before the Senate Subcommittee on Surface Transportation clearly indicates by the Commission's own figures that the railroads have been given "substantially everything they have asked for." The Commission's granting of rail requests has had virtually no effect on the decline of rail service.

The Nation is falling into a transportation morass from which certain segments of the economy may never recover. The time has come for a facing of the realities of this situation and for the concerted action necessary to reverse the present course of events.

Sincerely yours,

Senator Mike Mansfield, Senator Lee Metcalf, Senator Stuart Symington, Senator John Sparkman, Senator Len B. Jordan, Senator Jennings Randolph, Senator Clinton P. Anderson, Senator George D. Aiken, Senator Stephen M. Young, Senator Quentin N. Burdick, Senator Harold E. Hughes, Senator Abraham Ribicoff.

Senator William Proxmire, Senator Albert Gore, Senator Clifford P. Hansen, Senator Frank Church, Senator Alan Bible, Senator Edward J. Gurney, Senator B. Everett Jordan, Senator Strom Thurmond, Senator Birch Bayh, Senator John Sherman Cooper.

Senator Thomas F. Eagleton, Senator Howard W. Cannon, Senator Barry Goldwater, Senator Mike Gravel, Senator Edward M. Kennedy, Senator Gaylord Nelson, Senator Spessard L. Holland, Senator Gale W. McGee, Senator Edmund S. Muskie.

[From the Helena (Mont.) Independent Record, Nov. 8, 1970]

FREIGHT RATE MEANS \$15 MILLION LOSS
(By Arthur Hutchinson)

Freight rate increases granted railroads in the past 12 months will cost the grain sector alone of the Montana economy \$7.56 million a year, the State Agriculture Department said Friday.

That figure is the direct annual loss in value of Montana wheat and barley production which is exported. It is due to rate increases authorized by the Interstate Commerce Commission since last November which now amount to 21.2 per cent compounded over the period.

The loss in purchasing power to grain farmers will cost the state economy more than \$15 million, based on research by Montana State University showing every \$1 of grain production has a \$2 effect on the total state economy.

The loss does not include higher freight rates for imported goods including automobiles, machinery, manufactured goods and liquor which move by rail.

Nor does it include the loss to the state government of income taxes paid by farmers.

The farmer must bear the entire cost of the freight increases because he paid the port terminal price less the shipping cost from his home elevator.

DETAIL STATISTICS

Detailed statistics were submitted by Agriculture Commissioner George Lackman to the ICC in behalf of his department and its ad-hoc committee composed of virtually every farm organization in the state in an effort to block the latest 15 per cent boost asked by the railroads.

The ICC Thursday gave railroads authority to raise rates 8 per cent. This came atop a 5 per cent increase granted in November 1969

and another 5 per cent effective last June and raised another 1 per cent this month.

Had the railroads been given the full 15 per cent the loss to the grain sector would have been \$10.9 million a year and the loss to the total state economy in the neighborhood of \$2 million.

Montana wheat production in recent years has been 100 million bushels annually. About 80 million bushels is exported, of which 82 per cent moves by rail, said Eldon Fastrup, marketing coordinator for the department.

He said prior increases amounting to 11 per cent cost wheat farmers \$3.7 million a year and the latest 8 per cent hike will cost them another \$2.6 million.

Montana barley production averages about 65 million bushels a year of which 25 million bushels are shipped out, 59 per cent of this by rail, Fastrup said.

The earlier increases cost barley producers \$750,000 a year and the latest 8 per cent hike will cost them another \$510,000 a year for an annual loss in barley value alone of \$1.26 million.

NO ECONOMIC JUSTIFICATION

Fastrup, who prepared the detailed analysis Lackman presented to the ICC, said there was no economic justification for the increased rates.

"The railroads were already making substantial profits from grain hauls in Montana," he said. Fastrup said railroad revenue from Montana grain hauls ranged from 153 per cent to 217 per cent of the road's fully distributed costs "and this includes a fair return on their capital investment."

He said railroads justified their requests by claiming grain growers in the West could afford to bear their fair share of the railroads' increased operating costs.

The railroads, he said, argue the grain farmer has improved his income through higher yields per acre.

"This is not true in Montana," Fastrup said. "The railroads fail to recognize the cost of production and inflation have eaten up the profits from increased yields."

Mr. METCALF. Mr. President, will my colleague yield?

Mr. MANSFIELD. Mr. President, I gladly yield to my colleague.

The PRESIDING OFFICER (Mr. KENNEDY). The Senator from Montana is recognized.

Mr. METCALF. Mr. President, I appreciate the fact that my senior colleague, the majority leader, called attention to this important matter involving the Interstate Commerce Commission.

A former member of a regulatory commission suggested that the membership of the regulatory Commission should be renewed every 10 years. Another former member of the regulatory Commission has suggested that the regulatory Commission passes through the same stages of life as men. They start out to be aggressive in the juvenile stage, then go into middle age, and finally go into senility.

The PRESIDING OFFICER. The time of the Senator from Montana has expired.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senator from Montana be permitted to continue for an additional 5 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METCALF. The Interstate Commerce Commission is an example of the truth of this statement. It is the grandfather of all commissions. I believe that

it has gone into the stage of senility. It is a Commission that has now been captured by the very industries whom it is supposed to regulate—the railroads.

Every time that a railroad matter appears before the Commission, whether it involves rates, the discontinuation of a route, or some other matter, the decision is inevitably made in favor of the railroads rather than in favor of the public concerned.

I completely agree with the distinguished senior Senator from Montana that the regulatory Commission should be very carefully examined in the next Congress. We should have hearings on whether we should continue the Interstate Commerce Commission, have a new commission, or abolish it entirely.

The whole concept of a regulatory agency has been destroyed by decision after decision of the Interstate Commerce Commission.

It has been my obligation as a Senator from Montana, and also on behalf of other Senators and Representatives from the Northwest, to appear several times before the Interstate Commerce Commission to protest the discontinuation of such trains as the Main Streeter, the Great Northern's Empire Builder, and also the service from the Northern Pacific's North Coast Limited.

Now that we have a consolidation of the Burlington-Northern, we have an automatic discontinuation of service insofar as these great railroads are concerned. We find that gradually they are automatically discontinuing service in the State of Montana and probably in other States.

I know that we will have a petition for discontinuation of service of the Main Streeter, the Great Empire Builder, or the Northern Pacific's North Coast Limited.

We will have a gradual destruction of all of the main routes in Montana.

The Interstate Commerce Commission, as the oldest regulatory commission concerned, should certainly be subjected to a congressional or a senatorial investigation as to its effectiveness and functions.

(At this point, Mr. METCALF, the Acting President pro tempore, took the chair.)

Mr. MANSFIELD. Mr. President, I could not agree more with my distinguished colleague.

I point out that in little more than 3 years, freight rate increases totaling 30 percent have been granted by the Interstate Commerce Commission, with another increment of 7 percent threatened.

This is a problem which not only affects Montana, with its small population and tremendous area, but is a problem which affects the urban areas as well.

I would point out that two once-great railroads, after merger, are bankrupt; another newly merged giant is short of cash; passenger trains have been discontinued one after the other.

This is a most serious situation.

I think that we in the Congress is to blame for allowing the ICC to get away with its increases. They are almost automatic and have been down through the years. As I have said, there has been a

30 percent increase in freight rates over the past 3 years alone and another 7 percent increase is in the offing.

This is something which will be looked into by the next Congress.

May I point out that the letter sent to the Chairman of the Interstate Commerce Commission has also been signed by my distinguished colleague who has just spoken, and is now presiding over the Senate, Senator METCALF, and Senators SYMINGTON, AIKEN, SPARKMAN, YOUNG of Ohio, JORDAN of North Carolina, BURDICK, RANDOLPH, HUGHES, ANDERSON, RIBICOFF, PROXMIRE, EAGLETON, GORE, CANNON, HANSEN, GOLDWATER, CHURCH, GRAVEL, BIBLE, KENNEDY, GURNEY, NELSON, JORDAN of Idaho, HOLLAND, THURMOND, BAYH, MCGEE, COOPER, and MUSKIE.

That roster covers the entire philosophical spectrum of the Senate.